



Request for City Council Committee Action From the Finance Department

Date: July 7, 2003
To: Ways and Means Committee
Referral to:

Subject: Request Authorization to terminate the current liquidity agreement with Bayerische Hypo- und Vereinsbank, AG and approve Dexia Credit Local as the new liquidity provider as selected through a formal Request for Proposals process.

Recommendation:

The Finance Department recommends the City Council approve the attached resolution approving:

1. Termination of the current liquidity provider.
2. Acceptance of new Standby Bond Purchase liquidity agreements with Dexia Credit Local.
3. Modifications to all variable rate bond indentures as indicated in a master supplemental indenture to reflect replacement of the liquidity provider and the new terms.
4. Authorization for the Finance Officer to administratively execute extensions and other changes necessary to ensure the new liquidity facilities with Dexia Credit Local remain in force during the duration of the variable rate bonds.

Previous Directives: N/A

Prepared or Submitted by Mike Abeln, Director, Capital & Debt Management, 673-3496

Approved by: Patrick Born, City Finance Officer _____

John Moir, City Coordinator _____

Presenters in Committee: Mike Abeln, Director, Capital & Debt Management

Financial Impact (Check those that apply)

- ☐ No financial impact - or - Action is within current department budget.
(If checked, go directly to Background/Supporting Information)
- ☐ Action requires an appropriation increase to the Capital Budget
- ☐ Action requires an appropriation increase to the Operating Budget
- ☐ Action provides increased revenue for appropriation increase
- ☐ Action requires use of contingency or reserves
- ☒ Other financial impact (Explain): New Liquidity facility for Variable Rate Debt portfolio.
- ☐ Request provided to the Budget Office when provided to the Committee Coordinator

Community Impact (use any categories that apply)

- ☐ Neighborhood Notification
- ☐ City Goals
- ☐ Comprehensive Plan
- ☐ Zoning Code
- ☐ Other
- ☐ Not applicable

Background/Supporting Information Attached

In January of 2003, the Finance Officer requested permission to issue a Request for Proposals (RFP) to replace Bayerische Hypo- Und Vereinsbank, AG due to the bank receiving a credit downgrade in December of 2002. As the City's liquidity provider, the downgrade causes the City to incur higher interest rates on its outstanding variable rate debt portfolio.

The City received eight proposals in response to the RFP. After careful consideration by the City's Debt Management Committee, which includes city finance staff as well as the City's bond counsel and financial advisor, Dexia Credit Local was selected as having the strongest overall credit backing and most favorable long-term financial implications.

The Standby Bond Purchase agreements will provide liquidity coverage on all of the City's outstanding variable rate bonds, which currently total \$146.64 million. Dexia has also agreed to provide additional agreements up to a total of \$250 million of outstanding liquidity coverage. The agreements provide for a three-year term starting on the closing date of July 21, 2003 and will cost 16 basis points per annum on the outstanding daily principal and interest. One basis point equals 1/100th of a percent. Upon closing on the new liquidity agreements, the City will receive revised short-term credit ratings for the replacement liquidity provider from each of the three major credit rating agencies and will immediately start to benefit from lower interest rates on its outstanding variable rate bonds.

Copies of the Standby Bond Purchase Agreements with Dexia Credit Local and the master supplemental indenture are available in the Finance Department.